

# MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS 2023

## - Statement of Compliance

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## STATEMENT OF COMPLIANCE

*“NAM” used throughout this document, refers to Nomura Asset Management Co., Ltd and its subsidiaries. As wholly owned subsidiaries of NAM, Nomura Asset Management Malaysia (NAMM) and Nomura Islamic Asset Management (NIAM)’s commits to the Malaysian Code for Institutional Investors by leveraging on NAM’s global frameworks on stewardship and responsible investing, amongst others. The statements below describe how NAMM and NIAM meets the requirements under the Code through its global practices.*

### Principle 1: Disclosing Policies on Stewardship

NAM serves as an investment manager to its clients, and bears a fiduciary duty to enhance returns for its clients. In order to fulfill this duty, we undertake the following initiatives:

- Providing the best possible investment performance for our clients is our primary purpose. Accordingly, we aim to achieve medium- to long-term growth in the assets entrusted to us by our clients.
- We strive to establish a virtuous cycle of investment growth by fulfilling stewardship responsibilities through the following actions: conducting constructive and purposeful dialogue (engagement) with investee companies, exercising voting rights, giving due consideration to medium- to long-term sustainability including ESG factors, etc. Based on this virtuous cycle of investment growth, moreover, we endeavor to promote the earnings power of corporations, the formation of national wealth, and the realization of a healthy and sustainable society.
- As an asset management company, we aim to earn and maintain the trust and confidence of our clients and wider society; we therefore seek to contribute to the development of society through our investment management business.

### Principle 2: Monitoring Investee Companies

Regarding the monitoring and knowledge of investee companies, NAM prescribes that it shall:

- Strive to acquire in-depth knowledge of investee companies, including their business operations, business environment, and management;
- Include, in the scope of research and analysis of the fundamentals of companies, not only financial information, but also non-financial information, such as how the companies respond to ESG issues and the strategies and philosophy underlying their financial information; and
- Make investment decisions for assets under management, conduct engagement activities with investee companies, and undertake stewardship activities such as proxy voting based on in-depth understanding of investee companies. We strive to make sure that appropriate structures are in place to put the above rules into practice. We have our own in-house research team consisting of several experienced analysts with diverse backgrounds. In addition, in April 2016 we established the Responsible Investment Department, which specializes in stewardship activities and ESG research.

Our analysts and ESG specialists conduct more than 5,000 meetings with companies per year, including interviews with the most senior management. We are visited by a number of top executives, including those of leading Japanese companies and growth companies that will be the next generation of leaders. When we visit companies, we are often met by their top executives themselves. Through these top executive meetings, we gain knowledge of their management strategy, corporate philosophy, risks and revenue-generating opportunities, etc. Based on the information obtained, active discussions are held between analysts/ESG

specialists and portfolio managers. In this way, we strive to monitor the status of investee companies effectively given the knowledge of their characteristics and to identify any concerns that might impair their corporate value at an early stage.

### **Principle 3: Engaging Investee Companies**

NAM considers that engagement (constructive and purposeful dialogue) with investee companies is an effective way to fulfill its stewardship responsibilities. NAM has adopted and is actively undertaking a basic approach to engagement as follows:

- (1) Maintain an amicable and constructive stance when communicating with investee companies.
- (2) Deepen understanding not only on financial information, but also on non-financial information of the investee companies, which includes how they are responding to ESG issues and the strategies and philosophy underlying the financial information.
- (3) Exchange ideas and opinions with investee companies regarding capital efficiency.
- (4) Exchange ideas and opinions regarding the cause and recurrence countermeasures in the event of a serious scandal or incident and encourage sound business management.

Having defined the following as characteristics of an ideal form of business management, we engage with investee companies in a sound, fair and consistent manner. When engaging in dialogue on issues of sustainability, we make a conscious effort to translate it into medium- to long-term increase of corporate value and sustainable growth of companies. As necessary, we also engage in dialogue with board members who are not involved in business execution, such as outside directors, and thereby share our understanding of high-priority management issues.

- (1) Proper efforts on environmental and social issues
- (2) Value creation through capital efficiency
- (3) Adequate performance of corporate governance function
- (4) Adequate information disclosure and a dialogue with investors

We select companies with which we will conduct engagement activities from among companies whose shares are held in portfolios under both active management and passive management. Engagements are conducted efficiently based on careful consideration of their materiality and other relevant issues.

If a company's corporate value is likely to be impaired, we aim to reach a mutual understanding and encourage the company to implement measures for improvement through further engagement. At the same time, we do not believe that asking for improvements in companies with management issues is the only objective of engagement. We believe it is also very important to reassure well-managed companies of our support as investors.

In April 2016, NAM established the "Responsible Investment Department," which specializes in stewardship activities and ESG research, among others, and conducts engagement activities in collaboration with analysts and portfolio managers. In November 2021, we established the "Engagement Department," which is specialized in the promotion of engagement and drives our efforts for further coordination and more advanced engagement. It is also part of our system to reflect engagement results in our voting and investment decisions.

We regard collaboration with other institutional investors in engagement (collaborative engagement) as a way of increasing the effectiveness of our efforts to encourage change in investee companies and we will make appropriate efforts in this regard. However, we will carefully determine whether such collaboration is appropriate on a case-by-case basis, considering the duty of confidentiality in investment management.

#### Principle 4: Managing Conflicts of Interest

NAM is obligated to prevent situations in which the interests of our clients are unduly impaired as a result of actions that give a higher priority to the interest of others, including NAM, over the interest of our clients. In order to appropriately manage transactions and other activities that may involve potential conflicts of interest, we have established a "Conflict-of-Interest Management Policy." The outline of this Policy as it pertains to stewardship activities is as follows:

- (1) Establishment of a decision-making body specialized in responsible investment  
 NAM defines matters concerning, among others, ESG issues at investee companies and other relevant organizations, engagement (Note 1), and proxy voting as those that it should consider as a responsible institutional investor. NAM has established the Responsible Investment Committee as a body to make decisions concerning responsible investment. The chairperson of the Responsible Investment Committee is appointed by the Management Council and the result of the deliberation and decisions by the Committee is also reported to the Management Council. As a rule, committee members are limited to individuals who make decisions related to investment management and research, while individuals in a position of having a conflict of interest or who represent or may represent such individuals are excluded from membership. The Committee discusses and makes decisions to support investee companies to increase their corporate value and achieve sustainable growth. In the case of voting on a proposal that may give rise to a conflict of interest, the Responsible Investment Committee clearly declares that fact and makes judgments about the exercising of voting rights from the standpoint of the shareholder after referring to the opinions of multiple proxy advisory firms.
- (2) Identification of situations where there might be a conflict of interest  
 We have identified proxy voting on the following proposals as situations where there might be a significant conflict of interest in stewardship activities:
  - Proposals at the shareholders' meetings of group subsidiaries and affiliates and other subsidiaries and affiliates of Nomura Holdings, Inc.; and
  - Proposals related to a deal or project in which a group subsidiary or affiliate is involved (e.g., an M&A deal to which a group subsidiary or affiliate is a financial advisor or an offering or secondary offering of securities to which a Nomura Group company is the lead underwriter).

"Group subsidiaries and affiliates" are Nomura Holdings, Inc. and Japanese and foreign companies belonging to the Nomura Group (excluding NAM) that engage in banking business, financial instruments business, or other financial services and that, in the opinion of the Chief Conflict Officer of NAM, need to be managed from the perspective of conflict of interest management.
- (3) Oversight by an independent council  
 NAM has established the Responsible Investment Council under the Audit and Supervisory Committee as a body that is independent from business execution and monitors the Responsible Investment Committee's decisions and operation in general. The Responsible Investment Council oversees the Responsible Investment Committee to ensure that decisions are made by the Committee in a manner that avoids any conflicts of interest that might impair the interest of clients, particularly in relation to stewardship activities such as exercising voting rights where a conflict of interest could exist. To be able to perform the oversight function properly, the Responsible Investment Council is composed only of the Chief Conflict Officer and persons in positions independent from NAM, etc., including independent outside directors. In terms of operation, members of the Responsible Investment Council attend Responsible Investment Committee meetings and state their opinion immediately. The Responsible Investment Council suggests possible improvements to the Management

- Council or the Responsible Investment Committee and reports the related details to the board of directors and the Audit and Supervisory Committee when necessary.
- (4) Management-level initiatives  
As a Company with an Audit and Supervisory Committee, NAM has adopted a structure that substantially delegates the authority for making important business execution decisions to executive directors who have been appointed at a meeting of the board of directors, and the delegated executive directors are put in charge of business execution of management, while the board of directors primarily supervises management together with the Audit and Supervisory Committee, in order to increase the transparency of governance. In addition, several independent outside directors have been appointed from outside the Nomura Group to ensure management transparency and effective supervision.

Under the supervision of the board of directors, NAM's senior management is actively promoting efforts to fulfill its stewardship responsibilities, such as the formulation of the Conflict-of-Interest Management Policy and establishment of a Responsible Investment Committee.

(Note 1) Engagement means constructive and purposeful dialogue with investee companies.

#### **Principle 5: Incorporating Sustainability Considerations**

Please refer to Nomura Asset Management's ESG Statement and Basic Policy for Responsible Investment Management, both available at:-  
<https://global.nomura-am.co.jp/responsibility-investment/>  
for information on sustainability considerations are incorporated in our decision-making.

#### **Principle 6: Publishing Corporate Governance Policy and Voting Guidelines**

NAM serves as an investment manager to its clients and bears a fiduciary duty to enhance returns for its clients. As a general rule, we exercise voting rights for all shares under management. The Responsible Investment Committee has established NAM's "Global Proxy Voting Policy" and the Committee has also established the "Proxy Voting Standards for Japanese Companies", specifically for Japanese equities but based on the Global Policy. These Policies and Standards are periodically revised and published by the Responsible Investment Committee. In order to fulfill our roles and responsibilities for proxy voting, we apply the Policy and Standards to properly exercise proxy rights for securities held in client accounts. In this manner, we will encourage appropriate management practices in both domestic and overseas investee companies, leading them to enhance corporate value and achieve sustainable growth.

We regard proxy voting as part of our engagement activity and strive to make judgments based on our knowledge of the actual status of these investee companies.

We have organized and summarized our proxy voting results for Japanese equities based on major proposal categories and published them as "Proxy Voting Results" on our website together with the main reasons for voting for or against each proposal. In addition, commencing from the proxy voting for the January-March 2017 period, we have begun to disclose voting results for each investee company and proposal (i.e., individual disclosure). After having disclosed the reasons for voting for or against some proposals from the April-June 2019 period, we have not only disclosed the reasons for voting for or against all proposals but also provided a detailed explanation of such reasons with respect to proposals

that were particularly deemed to require an explanation by us since the October-December 2019 period. In this way, we strive to improve the visibility of our proxy voting activity.

For the purpose of verifying a diverse range of issues and ensuring more appropriate proxy voting, we employ several proxy advisory firms from whom we obtain opinions. Our Responsible Investment Committee refers to the opinions of these advisory firms (Note 1) when making proxy voting decisions, but will ultimately make independent decisions from the perspective of shareholder and client interests in accordance with our basic policy for proxy voting. We not only obtain necessary materials from advisory firms but also have a meeting with them periodically, thereby getting a grasp of their process of formulating advice, including their advisory approach and system.

There are cases in which we perform transactions involving the lending of shares across the determination date of the voting rights. When performing such transactions, we give due consideration so that they will contribute to the medium- to long-term growth of our clients' assets, including being mindful of securing the voting rights.

(Note 1) Specifically, advisory firms refer to Institutional Shareholder Services Inc. and Glass Lewis Japan GK.

#### **Principle 7: Collaborative Response on Corporate Governance and Sustainability Issues**

Our company has identified six (6) key ESG issues that are particularly important and common areas to be addressed by many businesses – climate change, natural capital, human rights, diversity, inclusion and belonging (DEI&B), value creation to realise well-being of society, and corporate governance). To address each of these issues, we participate in various international initiatives and actively incorporate agreed standards and norms. Additionally, through these initiatives, we engage in collaboration with other institutional investors to promote improvements and the adoption of corporate governance and sustainable practices among investee companies. Furthermore, we actively collaborate with a wide range of stakeholders, working to enhance our engagement by sharing best practices.

Details of our collaboration could be found in our Responsible Investment Reports (available at <https://global.nomura-am.co.jp/responsibility-investment/>)